

# IRS



## Fact Sheet

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### Electronic Payment Options for 2008

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Each year more and more taxpayers opt to pay their taxes electronically because electronic payments provide them with more options. Taxpayers can set up an e-pay option including electronic funds withdrawal from a checking or savings account. Paying with a credit card is another e-pay option.

E-pay options may be particularly convenient for taxpayers who make recurring tax payments, such as for quarterly estimated taxes. In these situations, you may want to enroll in the [Electronic Federal Tax Payment System](#) (EFTPS).

Taxpayers can set up an e-pay option to:

- Pay taxes owed on a 2007 income tax return
- Pay projected taxes now while filing an automatic extension on a 2007 return
- Pay quarterly estimated taxes for Tax Year 2008 or
- Make a credit card payment for past-due tax owed for years 1997 to present

Electronic payment options are also available for businesses.

The IRS has formed partnerships with private companies, including credit card processors and tax preparation software developers, to make electronic payment options available. More than 4 million taxpayers paid their federal taxes via one of these e-pay options last year, and even more are expected to do so this year.

#### Electronic Funds Withdrawal

There is no charge from the IRS to set up an [electronic funds withdrawal](#). You have the added advantage of deciding what date you want the transfer to take place, unlike with a paper check. Electronic funds withdrawal is available only to those who e-file.

In fact, a taxpayer can e-file and set up his or her e-payment for a later date. This delayed-payment option is not available if you file your return after the deadline.

Taxpayers can also save time by initiating their tax year 2008 estimated tax payments when e-filing their 2007 tax returns. You can do this whether you have a balance due on your 2007 return or not. You can now schedule up to four Form 1040-ES payments for withdrawal while e-filing.

## **Credit Card Payments**

Taxpayers can make [credit card payments](#) whether they file electronically or file a paper return. Credit card payments can be submitted via tax software when filing electronically. Credit Card payments can also be made over the telephone or online.

The IRS does not set or collect any fee for credit card payments. However, the IRS authorizes private companies processing the payments to charge a convenience fee. The taxes paid and convenience fee are listed separately on your credit card statement.

Some tax software developers offer integrated e-file and e-pay combinations for those who choose to use a credit card to pay a balance due. The software accepts both the electronic tax return and the credit card information. The tax return and tax payment data are forwarded to the IRS and the credit card data is forwarded to the payment processor.

For the current filing season, the IRS has contracts with two companies to accept credit card payments from both electronic and paper filers. Each company offers both phone and Internet payment services and each charge a convenience fee for the service. Fees are based on the amount of the tax payment and may vary between companies. The two companies are:

Official Payments Corporation, 1-800-2PAY-TAX (1-800-272-9829), 1-877-754-4413 (Customer Service), [www.officialpayments.com](http://www.officialpayments.com), and

Link2Gov Corporation, 1-888-PAY-1040 (1-888-729-1040), 1-888-658-5465 (Customer Service), [www.PAY1040.com](http://www.PAY1040.com).

Anyone may use these services to charge taxes to credit cards including American Express, Discover, MasterCard or VISA.

## **Electronic Federal Tax Payment System (EFTPS)**

The U.S. Department of Treasury offers taxpayers a free electronic payment system via the internet or phone. You can use this system to pay your federal taxes any day of the week and any time of the day or night. Go to [www.EFTPS.gov](http://www.EFTPS.gov) and enroll. Both methods are secure and can be used to pay all types of federal taxes, including income, employment, estimated and excise taxes.

Businesses can schedule payments 120 days in advance and Individuals can schedule payments a year in advance. This is ideal for taxpayers making monthly installment agreement or quarterly 1040ES estimated payments.

A taxpayer must arrange a payment via phone or internet by 8 p.m. Eastern Time the day before a payment is due in order for the payment to be made on the specified date. A taxpayer instructs EFTPS to move funds from his or her account to the Treasury account for payment of federal taxes. Funds will not move from a taxpayer's account until the date chosen by the taxpayer. The taxpayer receives an immediate

acknowledgement of payment instructions, and the taxpayer's bank statement will confirm the payment was made.

Businesses should enroll in EFTPS to make any tax payments that a third-party provider is not making on their behalf. The IRS recommends employers verify EFTPS payments as part of their bank account reconciliation process.

For more information on electronic payment options, look for the "electronic IRS" or enter keyword "e-pay" in the search box on the IRS Web site.

**Related Information:**

- [Electronic Federal Tax Payment System](#) (EFTPS)
- [Pay Taxes by Electronic Funds Withdrawal](#)
- [Pay Taxes by Credit Card](#)